



# Michigan Chapter of the National Brownfield Association

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## Michigan Chapter of the National Brownfield Association

February, 2011

Dear Mr. Muchmore,

This letter is written on behalf of the Board of the Michigan Chapter of the National Brownfield Association. In light of the suggested re-invention of Michigan's corporate tax structure and the possible elimination of the Brownfield tax credits, we are writing to explain the merits of retaining Michigan's highly successful Brownfield Redevelopment incentives. As specialists in redevelopment we are very aware of the extraordinary challenges facing investors and the real estate markets in Michigan. For those of us who remain committed to investing in Michigan, despite the temptation to withdraw from Michigan and invest elsewhere, sustaining Michigan's Brownfield program is critical. Without this program, investment in the state will slow to a trickle. If that happens, Michigan will miss out on the opportunity to bolster state revenues, increase employment, diversify our industrial base and cleanup and retask contaminated and blighted property.

Michigan's brownfield program has been a national leader for over 15 years and a model for other states and the federal government. In these difficult economic times we can choose to continue to be a leader in encouraging redevelopment and environmental cleanup or abandon the program at a time when it is most needed. Unlike some government programs the Brownfield tax credits are truly stimulus based credits that induce private investment as a condition of receiving the credit. No investment – no credit.

Many examples of high profile investments in Michigan have depended on and have been successful in large part because the Brownfield incentives were available to support the investor's decision to invest in Michigan. A list of a few of those projects is attached. Without the Brownfield tax credits, none of these projects would have been financed or completed. This is one of the tools that makes economic gardening possible.

As an investment the Brownfield tax credits have proven their worth. For a 10% to 15% contribution, the State gets 100% construction funding and 1000s of new jobs. This credit is a *smart investment* by the State. For almost all projects, private capital investment is at least 10 times the amount of the credit. Not only do we encourage new private investment and create new jobs but we also support reuse of abandoned, underutilized, contaminated, blighted and

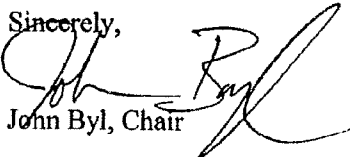
obsolete properties. All worthy and productive goals. We have attached a conservative summary based on actual claimed credits (more investment has actually been approved - see Chamber comment below) that summarizes over \$4 billion in brownfield investment over the past 10 years that has created 30,000 jobs and produced over \$120 million in new annual property tax revenue.

If it is the policy of this State and this administration to encourage private investment, support new construction jobs, encourage new long term jobs, and cleanup and redevelop brownfield sites, then the Brownfield MBT credit or a similar program must be preserved and supported. While more recent data is being assembled it is worth noting that in 2006 the Michigan Chamber of Commerce stated that, "Since 2000 there have been over 350 total projects that have been redeveloped or are being redeveloped in reliance on the availability of the [Brownfield] Credit reflecting an investment in the State of over \$6.2 Billion Dollars. Over that same time period the state approved an average of \$66 million annually in credits." It is hard to imagine *an investment of public funds with a better return in private investment.*

We support and encourage preserving the Brownfield tax credit under whatever re-invented corporate tax structure is implemented. It is essential to the continued success of Michigan's national leading Brownfield program. In the event all credits are eliminated, including the Brownfield credit, we urge creation of a comparable Brownfield program and stand ready to assist in its development.

If you have any questions, please feel free to contact the undersigned.

Sincerely,

  
John Byl, Chair

## EXAMPLES OF BROWNFIELD PROJECTS

<b>Ann Arbor</b>	A \$50 million investment in a mixed-use student housing project in Ann Arbor was recently financed after a few failed attempts. The project could not have succeeded without the brownfield credit.
<b>Bay City</b>	Stimulated by a brownfield credit, a public/private partnership invested \$43.6 million on a contaminated riverfront downtown site to create a new hotel conference center.
<b>Benton Harbor</b>	<p>The Harbor Shores project will result in over \$500 million of private investment on over 500 acres in Benton Harbor, Benton Township and St. Joseph. Many contaminated, former industrial sites have already been cleaned up and developed as part of this on-going, mixed-use project.</p> <p>Whirlpool intends to invest over \$65 million in downtown Benton Harbor for an office campus, which helps retain its world headquarters in Michigan. The brownfield credit was an important factor in Whirlpool's decision.</p>
<b>Detroit</b>	<p>The Book Cadillac hotel was redeveloped by an Ohio developer. Brownfield MBT credits and other credits made this possible.</p> <p>The Argonaut Building was redeveloped using a Brownfield tax credit.</p> <p>Compuware's new \$350 million headquarters was supported by a \$30 million Brownfield credit in addition to other tax savings bringing 1000s of jobs into Detroit.</p> <p>The \$95 million rehabilitation of the Fort Shelby hotel resulted in a Doubletree Hilton hotel and 11 stories of residential apartments. In addition to other incentives, the 10% Brownfield credit was a critical catalyst for the project.</p>
<b>Flint</b>	The mixed-use historic rehab of the Durant Hotel in downtown Flint was stimulated with a Brownfield credit, and has resulted in substantial investment in downtown Flint and the creation of 16 new jobs.
<b>Grand Rapids</b>	<p>A \$30 million investment on the corner of Division and Fulton in downtown was recently completed for expansion of the Urban Institute of Contemporary Arts and construction of residential apartments and a parking ramp.</p> <p>The Brownfield credit was critical to the \$200 million investment in new medical facilities in downtown Grand Rapids.</p> <p>A 100 year old public high school building in downtown, adjacent to two expressways, was abandoned and decaying before a private developer rehabilitated it into 180 residential condominiums with the help of a Brownfield credit. This project has made downtown living prevalent and affordable.</p>
<b>Holland</b>	The empty 220,000 square foot Baker Furniture factory was developed into a mixed-use project consisting of 65 residential condominiums, health/fitness center, office, restaurant and retail space.

<b>Jackson</b>	Consumers Energy invested over \$70 million to redevelop 32 contaminated downtown parcels for their new corporate headquarters. Stimulated by a Brownfield credit, this project retained 1400 jobs in the downtown area while creating 150 new jobs.
<b>Lansing</b>	<p>The \$100 million investment by the Accident Fund in the former Board of Power and Light building is another great example of the use of the Brownfield and other incentives.</p> <p>A \$26 million investment on a 25 acre brownfield site resulted in the development of 183 owner occupied single family housing units on the site formerly known as the former Boys Training School, now known as East Village. A \$1 million Brownfield credit was utilized to incentivize the project.</p> <p>Boji invested over \$60 million to develop the neighboring office complex building to the state capital on a former city owned contaminated site that now generates significant tax revenues to the city while housing over 150 professionals in downtown every day. This project was stimulated by a Brownfield credit.</p>
<b>Monroe</b>	Ventower Industries invested \$22 million and created 150 new jobs for a clean energy, wind tower manufacturing plant in Monroe. The Brownfield credit was critical to its success.
<b>Muskegon</b>	The former Muskegon Mall previously constituted the heart of downtown Muskegon. That building and others around it were abandoned. A public/private partnership acquired 23 acres in downtown and demolished all structures within a three square block area except for historically significant buildings to make way for the new downtown Muskegon – an Urban Village design with stores, offices, restaurants and residential use. A brownfield credit was critical to this project, which is expected to result in over \$100 million in investment and the addition of 500 – 600 residents in downtown.
<b>Ludington</b>	Fiveco invested over \$6 million to develop a mixed-use office/condominium project on a long abandoned downtown brownfield site stimulated by a \$540,000 Brownfield credit.
<b>Saginaw</b>	<p>A \$10 million investment on a riverfront brownfield site by the Michigan Cardiovascular Institute resulted in the development of a regional heart medical complex. An \$800,000 Brownfield credit prompted the project on this site.</p> <p>Corvas Nodular invested \$110 million to develop a new manufacturing facility on an abandoned former Auto Foundry site creating 130 new jobs. The project was stimulated by a \$1 million Brownfield credit.</p>
<b>Traverse City</b>	<p>A \$100 million investment was stimulated by a Brownfield credit to redevelop the former Traverse City State Hospital into what is now known as The Village at Grand Traverse Commons. This dramatic turnaround of this long neglected facility could not have occurred without the stimulus of the Brownfield credits.</p> <p>Copper Ridge invested over \$70 million to redevelop a 70 acre contaminated site into a state-of-the-art surgical center, creating over 700 new jobs and increasing the tax base to over \$22 million from \$99,000. This was stimulated by the first Brownfield credit issued in Traverse City.</p>

**Michigan Chapter**  
**of the National Brownfield Association**

February 2011

Background for Brownfield Tax Credit Analysis

First, the estimate of benefits is based on credits claimed not on credits approved. Construction must be substantially completed before the credit may be claimed. Therefore, a true measure of value created is based on completed construction. In addition, the State revenue is not affected until construction is completed and the credit is claimed.

Second, the credit is generally about 10% of construction costs — some recent credits have been larger, however, some have been approved in the past at an effective rate lower than 10% due to project size or considering eligible costs. For purposes of this analysis (to estimate overall investment induced by the credit) we have assumed 10% as a representative percentage.

Third, while the average non-homestead millage rate across the State is about 50 mills, the average millage rate in those communities that feature the most significant brownfield investments is about 60 mills. It was also assumed that taxable value equals one-half of construction cost on average, recognizing in some jurisdictions that may vary.

The amount of credits approved and claimed is based on data supplied by the Michigan Economic Development Corporation.

Jobs generated based on construction investment are estimated based on typical factors generated by input/output economic models. For the purposes of this analysis it is assumed that one construction job is created for each \$135,000 in hard construction costs.

No attempt has been made to account for any tax increment financing that may capture some of the new property tax revenue. Regardless of the disposition of the new tax revenue, it is nonetheless sustainable new revenue in the economy even if it is not directed to government accounts.

Unlike some business/economic models, once this credit is applied and construction is completed, the new investment is self sustaining and does not require a continuation of the credit to sustain the investment.

NOTE: This analysis also does not consider payroll taxes or income taxes generated by the new jobs and new operating businesses which would further increase the benefits created by these new investments.

## Michigan Chapter of the National Brownfield Association

### Summary of Brownfield Redevelopment Tax Credits

*Note: In order to claim a brownfield tax credit a project must be completed and investment certified by MEGA.*

#### Large Brownfield Tax Credits

Year Approved	Brownfield Projects Approved	Projected Eligible Investment	Auhorized Brownfield Credits	Actual Brownfield Credits Claimed*	Percent of Credit Approved	Note
2000	3	\$840,000,000	\$69,000,000	\$64,749,913	94%	
2001	10	\$1,048,145,376	\$49,164,676	\$33,393,974	68%	
2002	6	\$319,666,986	\$28,806,699	\$20,006,699	69%	
2003	12	\$375,182,243	\$30,368,657	\$23,678,764	78%	
2004	15	\$849,697,231	\$72,279,905	\$49,348,695	68%	
2005	15	\$849,543,639	\$56,579,878	\$33,104,694	59%	Partial Year
2006	17	\$1,108,816,119	\$101,679,907	\$32,818,206		Partial Year
2007	11	\$1,317,045,629	\$63,745,007	\$12,569,205		Partial Year
2008	20	\$1,478,437,242	\$148,058,777	\$12,149,698		Partial Year
2009	19	\$897,435,675	\$116,898,622	\$3,700,000		Partial Year
2010	19	\$824,109,589	\$127,667,706			None Claimed to Date
<b>Large Total</b>				<b>\$285,519,848</b>		

#### Small Brownfield Tax Credits

Year Approved	Brownfield Projects Approved	Projected Eligible Investment	Auhorized Brownfield Credits	Actual Brownfield Credits Claimed*	Percent of Credit Approved	Note
2000	5	\$36,119,880	\$3,491,280	\$1,797,310	51%	
2001	36	\$380,617,955	\$22,371,982	\$12,922,355	58%	
2002	64	\$320,468,671	\$29,994,256	\$19,353,786	65%	
2003	68	\$342,077,343	\$29,883,724	\$20,429,652	68%	
2004	65	\$321,331,823	\$29,872,611	\$21,993,863	74%	
2005	53	\$240,594,933	\$23,099,950	\$13,401,960	58%	Partial Year
2006	45	\$332,661,503	\$29,947,281	\$11,982,088	40%	Partial Year
2007	27	\$157,051,793	\$16,097,018	\$4,000,602		Partial Year
2008	40	\$245,495,812	\$35,729,529	\$9,214,766		Partial Year
2009	37	\$197,549,212	\$28,916,661	\$4,473,511		Partial Year
2010	40	\$285,575,980	\$42,785,798			None Claimed to Date
<b>Small Total</b>				<b>\$119,569,894</b>		

#### Mini Brownfield Tax Credits

Year Approved	Brownfield Projects Approved	Projected Eligible Investment	Auhorized Brownfield Credits	Actual Brownfield Credits Claimed*	Percent of Credit Approved	Note
2000						
2001						
2002						
2003						
2004						
2005		Mini Brownfield Tax Credits were not statutorily authorized until 2006				
2006	12	\$17,661,816	\$1,766,181	\$906,904	51%	Partial Year
2007	12	\$15,079,568	\$1,507,958	\$1,058,854		Partial Year
2008	17	\$22,845,434	\$2,900,019	\$1,399,611		Partial Year
2009	18	\$20,549,296	\$2,883,478	\$479,427		Partial Year
2010	20	\$25,878,298	\$4,644,823	\$391,773		Partial Year
<b>Mini Total</b>				<b>\$4,236,569</b>		

\* As of December 31, 2010

**Overall Credit Total**      **\$409,326,311**

**Estimated Investment**  
**\$4,093,263,110**

\$4.1B in construction creates about 30,000 construction jobs and (at 60 mills) over \$122 million in new property taxes/year

*The Brownfield credit is paid back in new property tax revenue in less than 3.5 years*

# Diamonds in the Rough

RECLAIMING BROWNFIELDS FOR

**MICHIGAN'S COMMUNITIES**



# Revitalizing Michigan's Communities

As Michigan transitions away from a manufacturing-oriented economy, many towns and cities are struggling to find new uses for former industrial and commercial properties. Allowing facilities to fall into disrepair can threaten public health, water quality and the economic vitality of communities. Reusing these brownfield sites provides an opportunity to improve neighborhoods and diversify local economies. However, redevelopment can be a complicated and expensive process.

Michigan Sea Grant supported a research team from Eastern Michigan University to evaluate the challenges and benefits of reusing coastal brownfield properties. This publication highlights their findings as well as the work of two interns with Michigan's Brownfield Redevelopment Grant and Loan Program who studied inland brownfields. The case studies on pages 4-9 provide examples of how Michigan's towns and cities are redeveloping their brownfields in ways that enhance downtown and waterfront areas, make neighborhoods safer and stimulate sustainable growth. An analysis of the barriers and incentives for redevelopment is provided on pages 10-11.

## DEFINING BROWNFIELDS

The decline of the manufacturing industry has left many properties in Michigan with dilapidated buildings, debris and environmental contamination. Properties where redevelopment is hindered by the presence or potential presence of hazardous substances are considered brownfields. In Michigan, properties that are badly damaged or functionally obsolete, with or without environmental contamination, can receive state incentives for brownfield remediation and redevelopment.

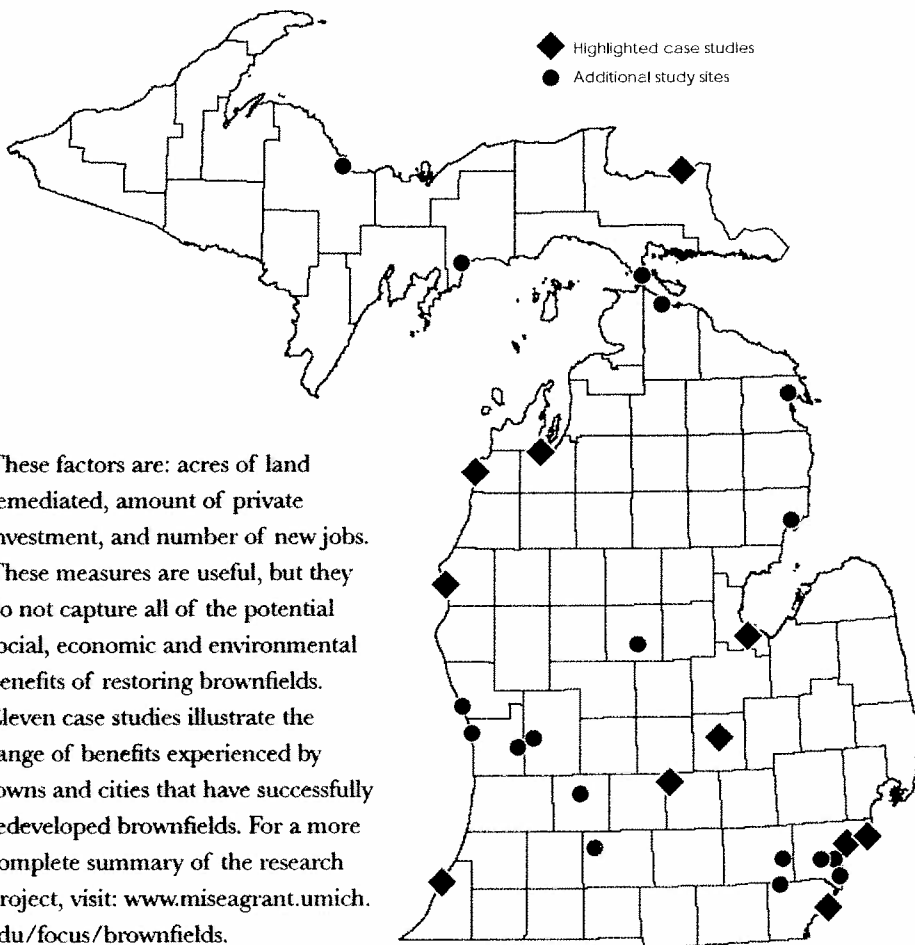
## BROWNFIELD CASE STUDIES IN MICHIGAN

The research team examined 50 projects that received awards from Michigan's Brownfield Redevelopment Grant and Loan Program\*. Researchers used project records, interviews, site visits and digital mapping (GIS) to explore the history of each project. They evaluated how brownfield redevelopment affected communities from three perspectives:

1. **Environmental** – including the benefits of clean-up and the impact of new development;
2. **Economic** – including the impact on taxes, property values and jobs; and
3. **Social** – including improvements for residents and neighborhoods.

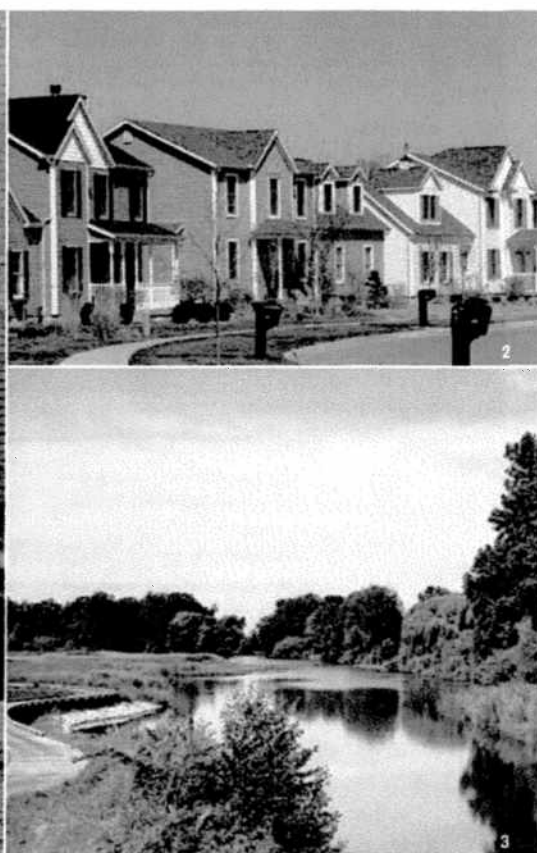
The research team is using these case studies to develop new approaches to measuring benefits that result from brownfield redevelopment. Historically state legislation has specified that brownfield programs prioritize a few factors when evaluating a grant application or completed project.

These factors are: acres of land remediated, amount of private investment, and number of new jobs. These measures are useful, but they do not capture all of the potential social, economic and environmental benefits of restoring brownfields. Eleven case studies illustrate the range of benefits experienced by towns and cities that have successfully redeveloped brownfields. For a more complete summary of the research project, visit: [www.miseagrant.umich.edu/focus/brownfields](http://www.miseagrant.umich.edu/focus/brownfields).



\* This program was previously within the Michigan Department of Environmental Quality. As of January 17, 2010, the program became a part of the new Department of Natural Resources and Environment.





# Evaluating the Benefits of Reusing Brownfields

## RE-ENERGIZING LOCAL ECONOMIES

In Michigan, brownfield sites have been cleaned up and reused for office space, new industry, retail centers, public parks, residential developments and government buildings. Redevelopment provides many economic benefits because it:

- ♦ Catalyzes private and public investment
- ♦ Creates jobs in central locations, re-energizing urban areas
- ♦ Increases property values
- ♦ Restores tax revenue to the community
- ♦ Increases the supply of land available for development

See pages 4-5 for several example projects that provided economic benefits.

## IMPROVING NEIGHBORHOODS

Municipalities and developers have a choice of either building on undeveloped land or reusing brownfield sites that are often located within town and city centers. Redeveloping brownfields promotes “smart growth” because it:

- ♦ Sparks the revitalization of existing neighborhoods
- ♦ Reduces pressure for outward growth, thereby preserving green space
- ♦ Reuses existing infrastructure for transportation and utilities
- ♦ Eliminates unsafe, blighted buildings
- ♦ Can meet current community needs through new development
- ♦ Can provide valuable public areas and recreational opportunities

See pages 6-7 for examples illustrating social benefits.

## PROTECTING ENVIRONMENTAL HEALTH

Brownfield redevelopment improves the public health and environmental quality of Michigan’s communities, because it:

- ♦ Promotes reuse of already developed areas, thus protecting undeveloped land and habitats
- ♦ Removes or contains dangerous contaminants such as heavy metals, organic and inorganic chemicals and petroleum products
- ♦ Minimizes the potential for leaching of contaminants into the water supply
- ♦ Reduces health risks for workers, residents and neighbors
- ♦ Can provide new parks, trees and green spaces

See pages 8-9 for case studies demonstrating environmental benefits.

# Re-Energizing Michigan's Local Economies



**Award:**\*  
\$1,477,750 in 2001  
**Leveraged Investment:**  
\$25 million  
**Jobs Created:**  
120-150, depending on bookings

## ATTRACTING BUSINESSES AND TOURISTS TO DOWNTOWN

*Bay City – 3 acres, adjacent to Saginaw River and Wenonah Park*

Bay City's leaders enhanced and expanded ongoing waterfront revitalization efforts with state support. Adding to the mix of successful residential, retail and recreational development along the Saginaw River, the new Doubletree hotel and conference center was constructed on this former brownfield site. The project included an extension of a waterfront promenade that connected the Doubletree hotel and the downtown waterfront area through Wenonah Park and a network of public pathways. The hotel has enjoyed an average occupancy rate exceeding 80%, brought thousands of visitors to downtown and employed 120-150 people since opening in 2007. Profits from hotel and conference operations are currently being used to repay bonds that supported the construction of the facilities. Because the project is publicly owned, the city will receive direct financial benefit from the project either from continued operation or sale of the property after repayment of the bonds.



**Before:** Prime waterfront space, filled with sediments containing arsenic, lead and benzopyrene.



**After:** A popular Doubletree Hotel and Conference Center, including a restaurant and extended network of public pathways along Saginaw River.



**Before:** Parcel with a vacant building and contamination from semi-volatile compounds and heavy metals.



**After:** R&B Electronics produces specialty aerospace parts onsite and employs 48 people.

## RETAINING BUSINESSES IN THE UPPER PENINSULA

*Sault Ste. Marie – 4.77 acres within Sault Industrial Park*

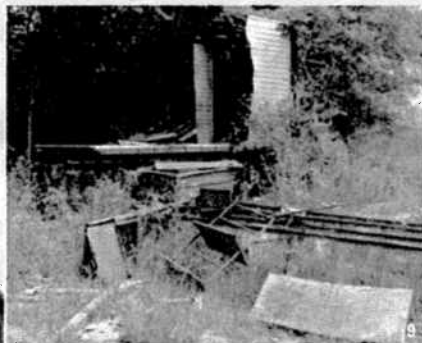
R&B Electronics established its headquarters in Sault Ste. Marie in 1985 and began producing electrical parts for the aviation industry. In 2006, the company approached Sault Ste. Marie about finding a facility that could accommodate their anticipated expansion. Unless an appropriate facility was identified, the company planned to close its doors and relocate to a sister facility in Texas. The City identified a suitable parcel in their Industrial Park, but the site was contaminated. The City was able to conduct soil and groundwater sampling and eventually removed the contaminated soil with funding from the MDNRE. Grants from the Michigan Economic Development Corporation helped renovate and retrofit the existing building. The incentives provided by state and local authorities were crucial for retaining R&B's business operations in Michigan, ultimately preserving 38 full-time jobs and creating an additional 10 jobs. The taxes and skilled jobs provided by the company are critical for maintaining a stable community in the Upper Peninsula.



**Award:**  
\$155,000 in 2006  
**Leveraged Investment:** \$1.4 million of private and public funds  
**Jobs Created or Retained:** 48  
**Net Increase in S.E.V.:** \$479,600

\* All awards were provided by Michigan's Brownfield Redevelopment Grant and Loan Program, currently within the Department of Natural Resources and Environment (MDNRE).

# Economic Benefits of Redevelopment



**Before:** Former industrial corridor including some of the most polluted brownfields in Michigan.

## LEVERAGING PUBLIC AND PRIVATE INVESTMENT TO REALIZE A NEW VISION

*Benton Harbor and Saint Joseph – several properties, roughly 600 acres*



Beginning in 1998, the cities of Benton Harbor and St. Joseph, Benton Charter Township and Berrien County created a long-term vision for their waterfront areas – including housing, recreation opportunities, offices and modern industrial facilities to help transform the local economy. The plan included the remediation and redevelopment of several brownfield properties bordering the St. Joseph and the Paw Paw Rivers, near Lake Michigan. During the first stage of the project, public and private investment led to the cleanup of 120 acres and the construction of offices and technical facilities for Edgewater Automation, Whirlpool Corporation, Transamerica as well as other companies. As a Renaissance Zone, tax incentives have helped ensure a high occupancy rate for new office space, supporting 400 full-time jobs within the complex.

**Awards:** More than \$15 million from 1999-2008

**Leveraged Investment:** More than \$115 million from private investors and state and federal agencies

**Jobs Created:** 400 to date, with more than 2,500 anticipated



**After:** With the Edgewater and Harbor Shores redevelopment areas, city leaders are creating a vibrant zone of commercial, residential and recreational activity, including an 18-hole golf course and an improved public beach.

The successful redevelopment of the Edgewater Area provided a catalyst for an adjacent brownfield project. With additional state support for remediation efforts, the non-profit Harbor Shores Community Redevelopment group is creating a new residential and recreation area aimed at making Benton Harbor a premier vacation destination. The group has built a world-class golf course designed by Jack Nicklaus and improved the adjacent public park and beach areas. The project is benefiting the community by providing adult literacy classes, financial counseling, an employment-training program, and youth after-school opportunities. Construction of a boutique hotel and spa, additional homes, and several deep-water marinas is expected to continue over the next 10 years. The remarkable collaboration between local governments, state agencies and private investors has transformed the landscape and is helping to realize a new vision for the Benton Harbor and St. Joseph areas.

# Improving Michigan's Neighborhoods



## IMPROVING PUBLIC ACCESS TO THE WATERFRONT

*Elberta – 8.4 acres along Betsie Lake*

**Award:**  
\$1,433,748 in 1999  
**Leveraged Investment:**  
\$600,000  
**Jobs Created:**  
120-150, depending on bookings

The Village of Elberta has transformed this former brownfield into an attractive waterfront park that has become a center for village and tourist activity along Betsie Lake. Grants were used to remove 12 above-ground storage tanks and debris from a roundhouse and foundry. Community leaders preserved many historical elements when developing a new lakeshore park. A railroad roundtable was made into a plaza area and a 19th century lifesaving station was renovated as a community center. The park includes a playground, outdoor pavilion for open air concerts, public fishing dock, and a boardwalk along the lake, making the waterfront accessible and appealing. Future plans include a 140-slip marina and extended trail system.

"We have been surprised by the amount of gatherings that the Life Saving Station has been used for, from family reunions to lots of weddings, to graduation open houses, it is rented most weekends all summer."

- Sharon Bower, Elberta Village Clerk



**Before:** Originally a foundry, the property later became a terminus and transfer point for the Ann Arbor Railroad.



**After:** A lakeshore park that provides public access to the waterfront and preserves a sense of history.



**Before:** Abandoned property contaminated with asbestos, petroleum and heavy metals.

## REVITALIZING URBAN NEIGHBORHOODS

*Detroit – 12 acres close to the Detroit River*

The St. Anne's Gate project helped revitalize a once-declining neighborhood in central Detroit. With funding from MDNRE and the State Housing Development Association, city leaders were able to clean up 8.46 acres of contaminated land. In addition, \$6.4 million in private investment was leveraged for a new 12-acre residential development. Formerly a blighted property in the neighborhood, this project increased the value of the surrounding homes and created 20 full-time jobs. A collaborative team of public and private organizations successfully promoted the environmental remediation, urban redevelopment, and neighborhood revitalization effort.



**Award:**  
\$808,000 in 1998  
**Leveraged Investment:**  
\$6.4 million in private funds, and additional grants from MSHDA



**After:** St. Anne's Gate development created 164 homes, including 60 senior apartments near the Ambassador Bridge.



# Social Benefits of Redevelopment



## CREATING OPPORTUNITIES FOR GOOD, FAMILY FUN

*Lansing – 9 acres close to the Grand River*

**Award:**  
\$922,813 in 1995  
**Leveraged Investment:**  
\$16.5 million  
**Jobs Created:**  
25 full-time and 283 seasonal jobs

Lansing-area leaders reclaimed a series of obsolete facilities and improved a formerly forgotten part of downtown by removing contaminated soil and storage tanks and redeveloping the land. After one year of clean-up and construction, the city opened the doors of the new Oldsmobile Park baseball stadium, with more than 6,000 seats surrounding the infield and 26 upper deck suites. The project helped to revitalize the entrance to downtown Lansing and catalyzed nearby projects, such as the new Stadium District development. The neighborhood now contains a range of restaurants, clubs, condominiums and commercial office space. Redevelopment of the stadium and the surrounding area has brought a steady flow of visitors to the neighborhood and contributes significantly to the city's revenue.



**Before:** A series of parcels with obsolete automotive and commercial services.



**After:** Property was redeveloped into Oldsmobile Park, home of the minor league baseball team the Lansing Lugnuts.



**After:** A vibrant multi-use development, the Village at Grand Traverse Commons includes condominiums, offices and specialty shops in the historic buildings.

## BUILDING A NEW COMMUNITY WHILE PRESERVING THE CHARM OF OLD BUILDINGS

*Traverse City – 64 acres*

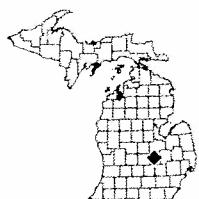


A local historical renovator Ray Minervini created a vision and leveraged significant public and private investment for an innovative reuse of the former hospital. In preparation for the renovations, contamination from lead-based paint and asbestos was cleaned up and old mechanical equipment was removed. The redevelopment was designed to create a lively residential community and minimize driving by providing a range of services onsite. The old brick buildings contain affordable and luxury condominiums, professional offices, restaurants and a school. To date, 75 commercial and 54 residential units have been developed, with more to come. Despite the housing market slump, the Minervini Group continues to renovate the space into condominiums that attract people to the unique community.

**Before:** Part of the Traverse City State Hospital campus between 1885 and 1989, then vacant for 14 years.

**Awards:** \$3 million since 2003  
**Leveraged Investment:**  
\$35.8 million  
**Jobs Created:** 331

# Protecting the Environmental Health of Michigan



## INVESTIGATING AND REMEDIATING SITES WITH SUSPECTED ENVIRONMENTAL CONCERNS

*Owosso – 2.5 acres downtown*

**Award:**  
\$1,558,000 in 1996  
**Leveraged Investment:**  
\$5 million

Owosso city leaders completed a thorough environmental assessment to identify the type of contamination and to locate previously unknown underground storage tanks on the brownfield site. Based on the assessment, project funding was augmented to support removal of underground tanks, excavation of contaminated soils, and construction of a slurry wall to protect water quality. Remediation efforts made the site desirable to Tanglewood Development, which purchased the property from the city and invested \$5 million in the project.

Tourism has become increasingly important to Owosso, with Curwood Castle and the Steam Railroad Institute attracting visitors. Recognizing that a shortage of hotel space was hampering growth, the city selected a proposal to develop a new hotel on the brownfield site. After two years of clean up and redevelopment, the 64-room hotel now employs 45 people. The Comstock Inn is Owosso's primary full-service hotel and banquet center.



**Before:** Site contaminated with petroleum and chlorinated solvents; given to the city of Owosso in 1996.



**After:** Remediation and redevelopment resulted in the development of the Comstock Inn and Mulligan's Irish Pub.



**After:** Mason Run is a single-family residential development about 50% complete (at the start of 2010). When finished, it will include approximately 300 new homes and 5 acres of park space.

## PROMOTING SMART, SUSTAINABLE DEVELOPMENT

*Monroe – 45 acres along River Raisin*

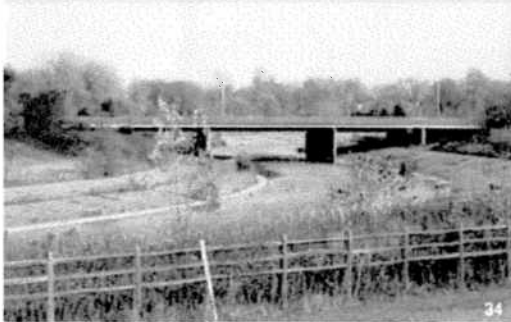


**Before:** Manufacturing activities contributed to polychlorinated biphenyl (PCB) and other contamination at brownfield site.

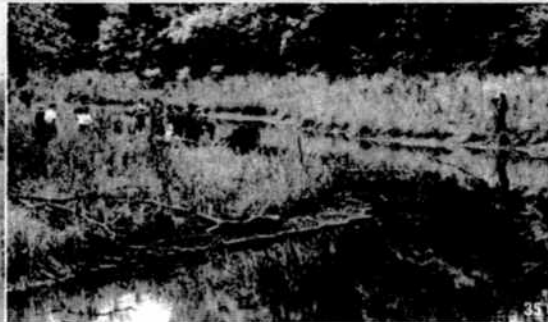
Monroe received \$2.8 million in grants and loans, which funded removal of basement material, excavation and disposal of coal pile residuals, removal of contaminated paper sludge, and clean up of soils contaminated with gasoline and PCBs, a persistent organic pollutant. With the exception of some soil safely contained under roadways, the entire site was cleaned to residential cleanup criteria. City leaders identified the need to develop single-family housing at this location, less than a mile from downtown. Working with citizens, city planners identified a developer for a new housing project that would maintain the traditional character of Monroe's best historic neighborhoods, including quiet streets, front porches and quality architecture. Proximity to Monroe's downtown and employment centers minimizes commuting time and allows homes to use existing infrastructure for water, sewer, gas and electricity. More than 10% of the development consists of green spaces, including a new city park that is part of the River Raisin hike and bike trail, near the Lake Erie shoreline. Redevelopment of this urban brownfield has allowed Monroe to remove a health hazard and promote smart, sustainable growth.

**Awards:**  
\$2.8 million from 1999-2004  
**Leveraged Investment:**  
Approximately \$90 million when completed  
**Jobs Created:**  
120-150, depending on bookings

# Environmental Benefits of Redevelopment



**Before:** Located next to a former manufacturing plant, this section of the Rouge River flowed between concrete banks and was surrounded by contaminated soils.



**After:** Contamination has been removed and a wetland area has been restored and reconnected to the Rouge River.



## RESTORING URBAN RIVERS FOR WILDLIFE AND RECREATION

### *Dearborn – 20 acres along the Rouge River*

**Awards:** \$2 million from 1999-2004  
**Leveraged Investment:** \$4.85 million

Because of high levels of contamination, the Rouge River was among several polluted rivers to burn in the 1960s. A unique public-private partnership involving Wayne County, the Army Corp of Engineers, The Henry Ford, and the Michigan DEQ leveraged support to remove 550 tons of contaminated soil and restore 20-acres of wetland and forest habitat adjacent to the river. In this area, the Rouge River runs between concrete banks, limiting the available habitat for wildlife. This restoration effort recreated a historical oxbow, or river bend, which allows some river water to flow through a natural stream and wetland area. The restored oxbow has been reconnected to the main river channel, helping sustain fish and wildlife populations throughout the Rouge River. The wetland area, oxbow and forest complex is now a nature preserve that is managed by The Henry Ford. The area provides educational opportunities for visiting student groups, outdoor enthusiasts and the hundreds-of-thousands of people who visit The Henry Ford each year.



**Before:** Abandoned facility contaminated with heavy metals, petroleum and other organic chemicals from nearly 100 years of manufacturing use.

## PROTECTING WATER QUALITY AND PUBLIC HEALTH

### *Ludington – 3.5 acres along Pere Marquette Lake*

Grant money and other funds paid for a thorough site investigation and removal of structural remains and contaminated soils. A critical part of the project included the installation of purge wells to redirect contaminated groundwater into a nearby treatment facility, protecting the quality of air and water for the adjacent lake and neighborhoods. Careful remediation has allowed private developers to construct a 160-slip marina and 75 new condominiums. This project has catalyzed the redevelopment of several other municipal and private properties, expanding the city's tax base, reconnecting the downtown and lakeshore areas and fostering civic pride in Ludington's waterfront.



**Award:** \$855,700 in 1993  
**Leveraged Investment:** \$8 million in private funds and additional award from Michigan Natural Resources Trust Fund



**After:** A revitalized waterfront area with townhouses, park space and marina facilities.

# Studying the Policy Context

By studying Michigan's brownfield policies and the history of individual projects, researchers are identifying common elements of successful projects that can be used by communities to promote effective redevelopment. A complete summary of this research project is available on the Michigan Sea Grant website. See: [www.mseagrant.umich.edu/focus/brownfields](http://www.mseagrant.umich.edu/focus/brownfields).

## BARRIERS TO BROWNFIELD REDEVELOPMENT

Redeveloping brownfield properties can be technically, legally and financially challenging for a new property owner. Developers are hesitant to commit to a project when the level of contamination is unknown.

Some upfront costs associated with reusing brownfields include:

- ♦ Environmental sampling to confirm and characterize contamination;
- ♦ Removal of contamination, including disposal of material or capping of contaminated areas;
- ♦ Environmental consultants to prepare Brownfield Plans and oversee work;
- ♦ Legal fees for deed restrictions, if required;
- ♦ Demolition of unsafe buildings, including asbestos and lead paint removal; and
- ♦ Updating or enhancing utilities and infrastructure.

Because of the significant societal benefits to restoring brownfields, state and federal incentives are offered to prepare sites for reuse and to encourage new construction on brownfields rather than undeveloped land.

## A HISTORY OF RESTORING BROWNFIELDS IN MICHIGAN

Concern for brownfield redevelopment led Michigan to become a leader in crafting innovative brownfield policies and financial assistance programs (Card and Kummeler 1999, Hula 2001). Since the late 1970s, Michigan has had a program to address sites where liable parties are unwilling or unable to respond to contamination. The Michigan Department of Natural Resources and Environment (MDNRE) has:

- ♦ Provided oversight and assistance on more than 10,000 cleanup projects performed by liable parties.
- ♦ Committed more than \$1 billion to address public health concerns at nearly 1,800 "orphan" sites where there was no liable party.

In the past, property owners were liable for cleaning up a site, irrespective of who may have actually caused the contamination. This fear of liability often discourages new

developers from buying and re-using developed properties. Michigan's brownfield policies were modified in 1995 to actively encourage redevelopment as well as cleanup of brownfields. Now, new owners of potentially contaminated property can limit liability by conducting a site evaluation within 45 days (of property purchase) and submitting a Baseline Environmental Assessment to MDNRE within six months of property purchase. Assessments for more than 12,000 properties have been submitted since 1995. Additional policy changes have allowed state programs to prioritize support for projects with viable redevelopment plans and use cleanup standards based on the proposed land use, for example commercial development versus residential.

Environmental bond initiatives in 1988 and 1998 allowed Michigan to fund brownfield remediation through a variety of programs. The case studies presented here all received funding from Michigan's Brownfield Redevelopment Grant and Loan Program. Over the past two decades, this program has:

- ♦ Awarded \$142 million in grants and \$33.7 million in low-interest loans for more than 300 brownfield redevelopment projects.
- ♦ Generated an estimated \$4.2 billion in private investment and created more than 23,000 jobs (as of 2009).
- ♦ Enhanced public access to the waterfront at more than 65 sites.

Unfortunately, there are many contaminated sites that have yet to be remediated in Michigan, and as more commercial and industrial facilities close, these properties may become brownfields. Data from MDNRE indicates that there are tens of thousands of brownfield sites and 4,500 leaking underground storage tanks that have not yet been fully remediated in Michigan, with an average of 300 new leaks identified each year.

## PROMOTING SUCCESSFUL REDEVELOPMENT

The case studies reveal that brownfield projects that are part of a comprehensive, forward-looking vision for the area usually enjoy broad public support and receive substantial private investment. Redevelopment typically involves a collaborative effort among a property owner, municipal officials, a private developer, environmental consultants and several state agencies. Successful projects often have local champions, entrepreneurial leaders who push a site through the many stages of planning and redevelopment (Hamlin et al. 2008). Success requires perseverance, knowledge of the many sources of grants, loans and tax credits, and sufficient time to accommodate the required review and approval processes.

Brownfields will continue to be a redevelopment opportunity in Michigan and programs are needed to reduce the risks and



ensure sufficient rewards for developers reusing brownfields (Michigan Land Use Leadership Council 2003). The State of Michigan offers several types of assistance for brownfield projects, including grants and loans (supported largely by bond initiatives) and other incentives that require little public funding. These incentives can be designed to attract maximum private investment, support a range of redevelopment goals, and minimize the burden on tax payers. Policy researchers have outlined ways to further enhance existing programs, such as offering loan insurance or Capital Access Programs to promote private

investment in risky but beneficial projects, and ensuring that all business incentives and subsidies favor the reuse of brownfields (Hamlin et al. 2008; LeRoy et al. 2006).

By using a variety of mechanisms to actively encourage investment in brownfields Michigan can revitalize local economies and community centers, minimize urban sprawl, and ensure a sustainable environment for future generations.

## STATE INCENTIVES FOR BROWNFIELD REDEVELOPMENT

Communities often work closely with state and federal agencies to maximize available resources for redevelopment. Michigan offers several types of incentives:

**Grants:** Communities can receive grants for environmental assessment, cleanup and risk reduction activities for a brownfield property.

**Low Interest Loans:** Loans are offered at a low 1.5% interest rate. No payments or interest are due for the first five years. Loans must be repaid within 15 years.

**Tax Increment Financing (TIF):** This allows communities to capture the increased tax revenue generated as a restored brownfield property increases in value. Depending on which agency approves the TIF, it can be used to pay

for environmental remediation activities, site preparation, and construction expenses. In addition, communities can continue to capture the incremental tax revenue for a local revolving loan fund that supports the redevelopment of other properties.

**Business Tax Credits:** Developers can take advantage of tax credits for eligible construction related expenses on qualified brownfield sites.

**Development Incentives:** Many businesses take advantage of tax incentives associated with brownfields in designated areas, such as Renaissance Zones, Smart Zones or Heritage Zones.

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## FOR ADDITIONAL INFORMATION

**Michigan Department of Natural Resources and Environment (MDNRE)**  
Redevelopment Grants and Loans: (517) 373-9540  
[www.michigan.gov/deqbrownfields](http://www.michigan.gov/deqbrownfields)

**Michigan Economic Development Corporation (MEDC)**  
General Assistance: (517) 373-9808  
Brownfield Tax Incentives:  
Eric Helzer, (517) 241-5230, Sara Rainero (517) 241-4801  
[www.michiganadvantage.org](http://www.michiganadvantage.org)

**U.S. Environmental Protection Agency (US EPA)**  
Office of Brownfields and Land Revitalization  
General Inquiries: (202) 566-2777  
[www.epa.gov/brownfields](http://www.epa.gov/brownfields)

# Diamonds in the Rough

RECLAIMING BROWNFIELDS FOR  
MICHIGAN'S COMMUNITIES



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Supplement to testimony by Grant Trigger  
Vice Chair, Michigan Chapter of the National Brownfield Association  
House Tax Policy Committee  
Wednesday March 9, 2011

The Michigan Chapter of the National Brownfield Association is a nonprofit, professional organization. Our members come from all of the key stakeholders in Brownfield redevelopment in Michigan: local communities, lenders, developers, land owners, governmental officials and other professionals who have collectively shepherded billions of dollars in new Brownfield investment into Michigan communities.

I am testifying today on behalf of the Michigan Chapter of the National Brownfield Association to raise several questions and concerns about proposed HB 4362 and the proposed elimination of the Brownfield MBT incentive (credit). As drafted, HB 4362 is unclear creating substantial confusion and uncertainty in a program that has been extraordinarily successful in attracting investment on Brownfield sites across Michigan. Pending transactions and proposed investments have screeched to a halt because investors have no current ability to rely on Brownfield tax incentives or determine their value.

First, the definition of "Certificated Credit" (Sec.107(1)) has no meaning under any existing legal authority for the Brownfield program. The Brownfield incentive program requires that the Michigan Economic Development Corporation ("MEDC") issue a "preapproval letter". After receipt of that preapproval letter the developer/investor then implements the project which can take several years. After completion of the defined investment/project, MEDC will issue a "certificate of completion" after which the incentive can be claimed. Investments are made relying on the date of the preapproval letter so if the intent is to only honor the date of a "certificate of completion" (if that is what was meant by "Certificated Credit") then that would eliminate projects which have already been initiated relying on the current pre-approval letter, but which are not yet completed – that cannot be what was intended.

Second, Section 500 of the proposed bill is hard to understand. Is it the intent to force taxpayers to elect from alternative means of calculating their tax liability and then force them to pay the higher tax in order to apply the credit? If so, and if we understand the draft bill, the concept that a taxpayer must use the Brownfield incentive against the higher tax liability can significantly reduce the value of the credit and may eliminate it.

These changes are most troubling because never before has it been necessary to defend a program that has enjoyed such widely embraced success and support. We are assembling data to demonstrate the obvious value of this program and will supply additional information as soon as it is available. But let us not fall into a trap of throwing the Brownfield program in with all other incentive programs. The measure of success for the Brownfield program is not just in jobs created (which we are proud to say has occurred); it is not in direct return on state funds expended (we do just fine – see below); but it is in community rebirth, it is in environmental cleanups that have been facilitated and funded by private redevelopment efforts, and it is in stabilization of tax base and changing attitudes about local communities that see rebirth from

the Brownfield program. What about the Brownfield program is not worth continued support? We suggest anything but continued support would be a drastic policy error and would set back redevelopment activities at a time when real estate markets are most depressed and financing is difficult and challenging. Given the state of our economy the Brownfield program is an important tool because so much local development depends on it. Moreover, if the administration truly supports an urban initiative why abandon the single most effective tool in the urban initiative tool box?

From an overall redevelopment perspective it is likely that there is not a single member of the legislature who does not have a successful Brownfield investment in their district. Over the past 10 years this program has induced well in excess of \$4 billion in new investment creating over 30,000 construction jobs and an expanded tax base capable of generating property tax revenues in excess of \$120 million PER YEAR.

In addition, well in excess of \$170 million in environmental cleanups have been supported and implemented through tax increment financing generated by the Brownfield program. The Brownfield program not only stabilizes the tax base and creates jobs; it also cleans up environmental contamination. That is a good return on investment by any measure.

According to estimates based on the most current and best-available data, over the past approximately 10 years approximately **\$409 million in Brownfield incentives** have generated:

- in excess of **\$4 billion in new investment**
- over **30,000 construction jobs**
- over **21,000 permanent jobs**
- funding for **over \$150 million of environmental cleanups**
- **increased tax base by over \$2 billion**, and
- new tax base worth **over \$120 million in new ANNUAL tax revenues** (some redirected for cleanups, etc.)

In other words if the Brownfield incentive were allocated evenly over the four categories of construction jobs, permanent jobs, environmental cleanups and new tax base we have the following estimated payback per category:

- \$102 million in Brownfield incentive creates **30,000 construction jobs** – at an average cost of about \$3400 per job – one year's income tax nearly equals about \$3400 – so **payback is close 1 to 1**.
- \$102 million in Brownfield incentive creates **21,000 new permanent jobs** - at an average cost of about \$4800 per job – 2 year's income tax pays back the investment – a **1 to 1 payback in two years**
- \$102 million in Brownfield incentives produces **over \$170 million in cleanups** – **1 to 1.5 return**
- \$102 million in Brownfield incentives produces **about \$120 million in new tax base** – **1 to 1.2 payback**

Further, these projects have created new tax base where little or none existed before helping stabilize property values and inducing other investment in our neighborhoods. There is overwhelming support for this program. But if in the rush to restructure the State's budget we abandon a national leading program and fail to preserve this powerful tool we will have made a huge mistake. The Michigan Chapter of the NBA has sought input from communities and organizations across the State and can say that there is a uniform view that preserving the Michigan Brownfield program is one of the most important redevelopment issues we face.

Finally, it is very important to distinguish the Brownfield program from other incentive programs. Some tax credits favor one industry over another by artificially reducing the tax burden of one industry over another. In contrast to those programs, the Brownfield program offers incentives to encourage investment in our cities and to facilitate environmental cleanup and reuse of underutilized properties. If a "tax credit" is unpopular or the antithesis of a more simplified business tax code, the goal to replace the MBT with a simpler system should not result in the elimination of the Brownfield incentive and simultaneously undercut a viable highly successful program.

We look forward to working with the members of the committee as the process moves forward, including supplying the members with additional information in support of the Brownfield incentive, assisting in crafting a successful restructuring of the state's budget without abandoning the highly successful nationally recognized Michigan Brownfield program, and answering any questions you may have.